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2 August 1956

THRU : Chief/C
Chief/E
Chief, D/S
Chief, S/TP

Comments on First Draft of Eighth Battle Act Report

The following changes in the first draft of the Eighth Battle Act Report are suggested:

1. Page I-2, last line. Insert "imports from" between "with" and "the USSR."
2. Page I-3, lines 12-13. Delete sentence beginning "Communist China." Communist China is already included in the "Sino-Soviet Bloc" mentioned in the previous sentence.
3. Page I-4, line 6. Substitute "or by almost \$500 million" for the present language.
4. Pages I-4 and 5. Delete last two sentences in paragraph starting at bottom of page I-4. These sentences refer to Eastern European trade with the Free World and do not characterize trade with Western Europe.
5. Page I-5, line 17. Delete "to the vanishing point." This overstates the decline.
6. Page I-6, lines 3. Finland's increase should be \$31 rather than \$35 million.
7. Page I-9, lines 7-8. "\$56" and \$60 should be reversed.
8. Page I-10. Suggest addition of Czech and Polish credits to Yugoslavia. Information is as follows:

<u>Grantor</u>	<u>Date</u>	<u>Value</u>	<u>Utilization</u>
Poland	November 1955	\$20 million	To cover delivery of equipment for food processing and mining industries and rolling stock.

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Czechoslovakia	February 1956	\$75 million	2/3 to be used for purchase of investment goods; 1/3 for consumer goods and industrial products.
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Terms are the same as for the USSR credits.

9. Page III-1, 3rd line from bottom. Insert "approximately" before "\$38 million".

10. Page III-2. The first sentence would be more meaningful with the insertion of the following sentence: Part of the Bloc expenditures on trade fairs held in Bloc countries, however, was made to influence East-West trade relations.

11. Page III-4, line 10. "and expansion" might be inserted after "normalization."

12. Page III-6, line 12. Insert "apparently" before "being developed as the bloc's trading base."

13. Page III-2, line 10. Antecedent of "its" is not clear. Might insert "in Western Europe" after "trade fairs."

14. Page III-6, line 3. Substitute "may have been" for "were."

15. Page III-6, paragraph 3. Mention of China should be coupled with rise in number of fairs. (3 in 1954 to 24 in 1955)

16. Page III-7, line 6. Insert "in Free World" after "most fanfare."

17. Page III-8, lines 14-5. Delete "not specifically connected with any international trade fair." Any industrial goods can be shown at a fair.

18. Page III-9, lines 15-17. What is the point of this sentence?

19. Page III-9, lines 9-11. The number of brochures, etc., received from collectors indicates that this statement may not be valid.

20. Page III-9, last paragraph. The description of the Soviet effort as "half-hearted" does not seem valid in view of the imposing pavilion and the large size of the exhibit, 4,000 m.

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21. Chapter IV. Most of the statistics on Bloc credits to the Free World are not comparable with those maintained by CIE due to the extremely low level of classification.

22. Chapter IV suffers from having no summary or conclusions and as a result the theme or message is obscure.

23. The inclusion of Stalin in the list of those who fully appreciate the relatively greater potential for spread of Communism in underdeveloped areas is incorrect.

24. Page IV-2, line 9. "Basis" should be substituted for "stockpile."

25. Page IV-3, line 13. Issue should be taken with the concept that those in control of the USSR's economy can allocate in any way they desire "almost regardless" of the internal situation. This is simply not true. With the changes in leadership and the improved incentive system for wage determination more attention must be paid to the internal political-economic situation by the Russian leaders. As recent events in the European Satellites have demonstrated the latter consideration is even more compelling in the case of those countries.

26. Page IV-4, lines 13-14. If the prices for the surplus commodities referred to were low enough the Free World could absorb them. Some mention of the importance of the price structure with respect to the current producing countries would add to the exposition immeasurably.

27. Page IV-5, paragraph 2. According to information available at the ~~lowest~~ level a total of 81 trade and payment agreements went into effect at the end of 1955. This is an example of how the problem becomes distorted when only low level materials are used.

28. Paragraph ending on Page IV-6. The consideration of credits could more properly be a cumulative one rather than being restricted as in the draft merely to those concluded during 1955. It is not always easy to determine precisely when a credit agreement is "concluded." The thing which more accurately conveys the extent of the drain on Soviet Bloc capital resources is the extent of indebtedness of Free World countries to the Bloc. In as much as information in CIA is kept on a cumulative basis, no check on the statistics in this paragraph is possible.

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29. Page IV-6, last paragraph. It is not clear whether Yugoslavia's trade with the Bloc was more or less than 10 percent of its total trade.

30. First paragraph, end of Page 8. In as much as Bloc countries are willing to accept commodities in settlement of their credit claims, it can not properly be said that "the country's ability to repay the credit appeared to be of secondary importance."

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